British Smaller Companies VCT2 plc
Annual Financial Report Announcement
for the year ended 31 December 2024

British Smaller Companies VCT2 plc (the "Company") today announces its audited results for the year ended 31 December 2024.

HIGHLIGHTS

- 1.3 per cent return on opening net assets, driven by underlying revenue growth in portfolio companies.
- Total Return increased by 0.80 pence to 146.35 pence per share; net asset value at 31 December 2024 of 57.10 pence per share (2023: 59.30 pence per share).
- Realisations generated total proceeds of £9.4 million in the year, a gain of £0.2 million over the opening carrying value and £7.3 million over cost.
- Four new investments and ten follow-on investments totalling £15.1 million completed during the year. One new investment of £1.4 million and two follow-on investments of 2.8 million made subsequent to the year end.
- Total dividends paid during the year ended 31 December 2024 of 3.00 pence per share (2023: 5.25 pence per share), bringing total cumulative dividends paid since inception to 89.25 pence per share at 31 December 2024 (2023: 86.25 pence per share).
- Special dividend of 1.00 pence per share paid on 27 January 2025, taking cumulative dividends paid to date to 90.25 pence per share. Consequently, the adjusted last reported NAV of the shares is 56.10 pence per share.
- £34.5 million of allotted funds in the year from 2023/24 fundraising. Gross applications of c.£29 million received in relation to 2024/25 offer, with £9.8 million allotted in January 2025 and the remaining funds to be allotted between 1 and 4 April 2025.

Chair's Statement

I am pleased to present the 2024 annual report and financial statements of British Smaller Companies VCT2 plc ("the Company"), my first as Chair of the Company. It has been a year of steady progress for the Company, with some macroeconomic challenges, but with positivity from lowering inflation and interest rates.

The year saw a change in UK government; this has brought political stability, which should be a positive for long term investment. Additionally, as inflation has come under control and towards the Bank of England's 2 per cent target, so interest rates have been lowered, from 5.25 per cent to 4.5 per cent today.

However, the more disruptive political environment in the US, accompanied by the threat of tariffs, as well as continued cost pressures for companies to absorb such as the increase in employers NI, has meant it remains a challenging environment for portfolio companies to operate in.

Through this period, it was pleasing to see the positive performance of the Company, which generated a 1.3 per cent return on its opening net asset value in the year.

There have been increases in several assets within the portfolio during the year, with over 50 per cent of the portfolio by value seeing increases in annual recurring revenue of 25 per cent or higher. This growth is beginning to register in the portfolio's value, with 25 companies showing valuation uplifts in the period.

That said, overall performance has been dampened by the reduction in value of a small number of portfolio companies, where specific circumstances have held back their growth. The Company's Manager, YFM Private Equity Limited, continues to work closely with these companies to navigate these current challenges.

Pleasingly, as well as adding four new companies to the portfolio in the year, the Company has had the opportunity to provide £9.4 million of further funding to ten existing portfolio companies, with the vast majority of this being deployed into the fastest growing companies to help accelerate their impressive growth.

From an exit perspective, the Company has continued to realise investments this year despite a subdued M&A environment, recognising £9.4 million of proceeds from two partial exits, two full realisations and deferred consideration.

Financial Performance

In 2024, the Company delivered a 0.80 pence per ordinary share increase in Total Return, equivalent to 1.3 per cent of the opening net asset value at 31 December 2023. Total Return is now 146.35 pence per ordinary share.

This was driven by value growth in the portfolio, which generated a return of £2.9 million, 3.1 per cent over its opening value. New and follow-on investments totalling £15.1 million were completed.

New Investments

The Company invested £5.7 million into four new investments during the year

Investment	Sector
Fuuse	Electric vehicle charge point management system
Spotless Water	Ultra-pure water distribution network
Ohalo	Unstructured data governance platform
Integrum ESG	A specialist ESG ratings and analytics platform

Post-year-end, in January 2025, the Company invested £1.4 million into new investment Stormharvester, an AI analytics platform for wastewater utilities.

Follow-On Investments in the Year

In our continued support of the portfolio, ten companies received follow-on funding, totalling £9.4 million in aggregate. Further details are given in the Investment Review below.

Post-year-end, in March 2025 the Company invested £2.8 million into portfolio companies DrDoctor and Vypr.

Realisations in the Year

Realisations of portfolio investments generated total proceeds of £9.4 million, generating a gain of £7.3 million over the original cost and £0.2 million over the opening carrying value.

KeTech, a provider of communications systems, was separated into its two component parts (Rail and Defence) in 2023 to maximise shareholder value. In January 2024, the Defence business was sold, generating proceeds of £1.5 million. To date, the Company has realised proceeds of £4.1 million from its KeTech investment, a 2.0x return on cost, while still retaining its investment in the Rail business, which at the year-end was valued at £1.3 million.

In January 2024 the Company realised part of its investment in Arcus, generating proceeds of £0.2 million, while still retaining its investment in the remaining restructured business; at year-end this was valued at £0.9 million. The combined £1.2 million of value to date equates to 0.6x cost.

In February 2024, the Company sold its investment in Displayplan for £4.8 million. Total proceeds received over the life of the investment are £6.7 million, an excellent 9.6x return on the Company's cost.

In October 2024, the Company sold its investment in Traveltek for £2.5 million. Total proceeds recognised over the life of the investment are £3.3 million, a 2.8x return on the Company's cost. There is the potential for further deferred proceeds in due course, with £0.6 million of deferred proceeds recognised at the year-end.

In the year the Company also received deferred consideration of £0.4 million relating to investments realised in prior years.

Subsequent to the year-end, in February 2025 the Company realised its investment in ACC Aviation, receiving £3.1 million in initial proceeds, with additional deferred consideration of £1.5 million anticipated to be received over the next two to four years. Including the deferred consideration, the ACC investment has generated an overall return of £8.2 million, a 5.9x return on the original cost of £1.4 million.

Treasury

Due to the nature of its structure, a proportion of the Company's net assets will be held in cash and cash equivalents at any point in time. As interest rates have remained at higher than historical levels, the Company has taken an active approach to generating a good return on liquid funds, whilst remaining focused on the primary goal of capital preservation.

A portion of the Company's liquid assets are held across a diversified range of Triple-A rated money market funds, managed by global institutions, while the balance is held as readily accessible cash, all of which is held at Tier 1 Financial Institutions (A2 rated or above).

In the year, the Company generated a return of £2.7 million on its liquid assets, and at year-end was generating a weighted run-rate return on these assets of around 4.5 per cent per annum.

Financial Results

The movement in net asset value ("NAV") per ordinary share and the dividends paid are set out in the table below:

	Pence per ordinary share		£000	
NAV at 31 December 2023		59.30		135,616
Increase in value	1.10		3,105	
Gain on disposal of investments	0.10		234	
Net underlying change in investment portfolio	1.20		3,339	
Net operating income	0.05		89	
Incentive fee	(0.30)		(818)	
Total Return in the year		0.95		2,610
Issue/buy-back of new shares		(0.15)		30,724
NAV before the payment of dividends		60.10		168,950
Dividends paid		(3.00)		(8,499)
NAV at 31 December 2024		**57.10**		**160,451**
Cumulative dividends paid		89.25		
Total Return: at 31 December 2024		**146.35**		
at 31 December 2023		145.55		

The charts on page 12 of the annual report show the movement in Total Return and net asset value over time in greater detail.

The investments held at the beginning of the financial year, amounting to £96.4 million, delivered a return over the year of £2.9 million.

The current portfolio's net valuation increased by £3.1 million. Within this there were valuation gains of £11.5 million, offset by £8.4 million of downward movements.

Following the portfolio's evolution towards younger, higher growth companies after changes to VCT regulations in 2015, as expected the level of income generated by the portfolio continues to decrease. Overall, £0.6 million was recognised in the year, down from £0.7 million in 2023.

Dividends

Dividends paid in the year totalled 3.00 pence per ordinary share. These comprised two 1.50 pence per ordinary share interim dividends. Cumulative dividends paid as at 31 December 2024 were 89.25 pence per ordinary share.

Following the successful realisation of Traveltek in October 2024, a special dividend of 1.00 pence per ordinary share for the year ending 31 December 2025 was paid on 27 January 2025 to shareholders on the register at 27 December 2024, taking cumulative dividends paid to date to 90.25 pence per ordinary share.

Dividend Re-investment Scheme ("DRIS")

The Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends; it is open to all shareholders, including those who invested under the recent offers. The main advantages of the DRIS are:

1 the dividends remain tax free; and
2 any DRIS investment attracts income tax relief at the rate of 30 per cent.

For the financial year ended 31 December 2024, £1.4 million was re-invested by way of the DRIS, from overall dividend proceeds of £8.5 million.

Liquidity and Fundraising

The Company completed a successful fundraise during the year, allotting £34.5 million relating to the 2023/24 tax year.

At 31 December 2024, the Company's cash and money market reserves of £53.1 million represented 33.1 per cent of net assets.

Post-period end, in January 2025, a further £9.8 million of shares were allotted, relating to the 2024/25 tax year. It is expected that a further c.£19.2 million will be allotted in early April 2025, following the close of the Company's joint share offer alongside British Smaller Companies VCT plc on 8 January 2025.

Distributable Reserves

In December 2024, the Company cancelled the balance of its share premium account and its capital redemption reserve; and reduced the nominal value of its issued share capital. These actions will create additional distributable reserves for the Company, providing greater flexibility for the buy-back of shares, payment of dividends and other corporate purposes. As a result of these actions, £85.3 million of additional distributable reserves will be created over the next three years. There was no dilution to shareholders' interests.

Board Changes

On 13 June 2024, Peter Waller retired as Chair and stood down from the Board. The Board and the Manager thank Peter for all of his efforts and valuable contributions over the course of his tenure.

Also on 13 June 2024, Arif Ahmed joined the Board. Arif is a serial entrepreneur and private equity investor with particular expertise in healthcare and technology.

Investor Workshop

The annual shareholder workshop held on 20 June 2024 was well attended. Attendees heard from Steve Frost, CEO of Workbuzz, and Scott Morris, Managing Director of Displayplan.

We are pleased to announce that the next in-person shareholder workshop will be held jointly with British Smaller Companies VCT plc on 19 June 2025 at 30 Euston Square, London NW1 2FB.

Shareholder Relations

Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 12 June 2025 at Thomas House, 84 Ecclestone Square, London SW1V 1PX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 88 of the annual report.

The electronic communications policy continues to be a success, with 83 per cent of shareholders now receiving communications in this way. Documents such as the annual report are published on the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

The Company's website, www.bscfunds.com, is refreshed on a regular basis and provides a comprehensive level of information in what I hope is a user-friendly format.

General Meeting

The Company held a general meeting on 12 November 2024 at which special resolutions were passed relating to the cancellation of the Company's share premium account and capital redemption reserve, and the reduction in the nominal value of the Company's issued share capital.

Post Balance Sheet Events

Subsequent to the year end, the Company invested £1.4 million into one new investment, Stormharvester, and £2.8 million into portfolio companies DrDoctor and Vypr. The Company also received £3.1 million from the realisation of ACC Aviation, as detailed above.

On 27 January 2025 the Company issued 831,686 ordinary shares pursuant to its Dividend Re-investment Scheme, following the special dividend of 1.00 pence paid that day. On 30 January 2025 the Company issued 17,313,531 shares in relation to the 2024/25 fundraising, raising gross proceeds of £9.8 million. Following these allotments, the Company's issued share capital consists of 299,176,349 ordinary shares with voting rights and 28,770,963 shares held in treasury.

Outlook

During 2024 the Company saw good levels of underlying revenue growth from much of its existing portfolio, and took the opportunity to deploy further capital into many of these companies to further accelerate their growth. The Manager is working closely with the portfolio companies which saw decreases in their value to navigate their particular challenges. It is hoped that these positions will stabilise or improve in 2025, while the remainder of the portfolio continues its growth, driving the Company's performance.

Macroeconomic conditions will continue to be closely monitored, with the effects of possible US tariffs and retaliatory responses from impacted nations having the potential to disrupt markets and growth in the year. However, portfolio companies have proven themselves to be resilient to the challenges presented in recent years, and with the support of the Manager we remain optimistic that they can navigate any emerging headwinds.

The Company's 2024/25 fundraising puts it in a strong position to continue to support the portfolio's growth, as well as adding new businesses through the coming year. I thank shareholders for their continued support.

Barbara Anderson

Chair

18 March 2025

Objectives and Key Policies

The Company's objective is to maximise Total Return and provide investors with a long-term tax free dividend yield whilst maintaining the Company's status as a venture capital trust.

Investment Strategy

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth, with the aim of spreading the maturity profiles and maximising return, as well as ensuring compliance with VCT regulations.

The Company predominantly invests in unquoted smaller companies and expects that this will continue to make up the significant majority of the portfolio. It will also retain holdings in cash or near-cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Unquoted investments are structured using various investment instruments, including ordinary shares, preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT Regulations. The portfolio is diversified by investing in a broad range of industry sectors. The normal investment period into the portfolio companies is expected to be typically between the range of five to seven years.

Investment Policy

The investment policy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these will be re-investing their profits for growth and the investments will comprise mainly equity instruments.

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth with the aim of spreading the maturity profiles and maximising return as well as ensuring compliance with the VCT guidelines.

Borrowing

The Company does not borrow and has no borrowing facilities, choosing to fund investments from its own resources.

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together "the VCTs") typically co-invest in investments, allocating such investments 40 per cent to the Company and 60 per cent to British Smaller Companies VCT plc. However, the Board of the Company has discretion as to whether or not to take up its allocation; where British Smaller Companies VCT plc does not take its allocation, the Board may opt to increase the Company's allocation in such opportunities.

The VCTs may invest alongside co-investment funds managed by YFM, the Manager of the VCTs. The VCTs have first priority on all equity investment opportunities meeting the VCT qualifying criteria. Non-VCT qualifying investments are allocated to YFM's co-investment funds.

Asset Mix

Cash which is pending investment in VCT-qualifying securities is held in money market funds and interest bearing instant access and short-notice bank accounts.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom are non-executive, can be found on page 49 of the annual report.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on page 2 of the annual report. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found below under the heading "Business Conduct".

Processes and Operations

The Manager is responsible for the sourcing and screening of investment opportunities, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments.

Post investment, the Manager works with the businesses and management teams in which the Company is invested, monitoring progress, effecting change and, where applicable, redefining strategies with a view to maximising values through structured exit processes.

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Manager regarding the trading and financial position of each investee company and senior members of the Manager regularly attend the Company's Board meetings. Monitoring reports on compliance with VCT regulations are also received at each Board meeting so that the Board can monitor that the Venture Capital Trust status of the Company is maintained and take corrective action if appropriate. Monitoring reports carrying out an independent review of this compliance are received twice a year.

The Board reviews the terms of YFM Private Equity Limited's appointment as Manager on a regular basis.

YFM Private Equity Limited has performed investment advisory or management, administrative and secretarial services for the Company since its inception on 28 November 2000. The principal terms of the agreement under which these services are performed are set out in note 3 to the financial statements.

In the opinion of the directors, the continuing appointment of YFM Private Equity Limited as Manager is in the interests of the shareholders as a whole, in view of its experience in managing venture capital trusts and in making, managing and exiting investments of the nature falling within the Company's investment policies.

Key Performance Indicators

Total Return, calculated by reference to the cumulative dividends paid plus net asset value (excluding tax reliefs received by shareholders), is the primary measure of performance in the VCT industry. Further explanation is given under the heading "Financial Performance" above. All returns are shown as pence per share ("pps").

The chart on page 12 of the annual report shows how the Total Return of the Company has developed over the last ten years.

The evaluation of comparative success of the Company's Total Return is by way of reference to the Share Price Total Return for an index of VCTs that are members of the AIC (based on figures provided by Morningstar). This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 51 of the annual report.

The chart on page 12 of the annual report illustrates the Total Return (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 2000/01 who have re-invested their dividends.

Shareholder Returns

The Board considers Total Return to be the primary measure of shareholder value. The Internal Rate of Return (the "IRR") from the offers over the last ten years are shown below. IRR, which is an Alternative Performance Measure, is a key metric used to assess the potential profitability of an investment, a higher IRR indicates a more profitable investment. More specifically, IRR is the annual rate of return that equates the cost at the date of the original investment, with the value of subsequent dividends plus the audited 31 December 2024 net asset value. This excludes the benefit of any initial tax relief.

Year of fundraising	**IRR**
2014	6.0%
2015	6.6%
2016	6.7%
2017	6.9%
2018	8.3%
2019	8.5%
2021	10.9%
2022	3.8%

The IRRs shown are based on fundraisings and offer prices during the relevant calendar year whilst the table shows specific financial periods to 31 December 2024. Note there was no fundraising in 2020 and it is too soon to give meaningful returns for the fundraisings in 2023 and 2024.

Set out below is the annualised return over 10, 5, 3 and 1 years to 31 December 2024. The annualised return is calculated with reference to the cumulative dividends paid in the period plus the audited 31 December 2024 net asset value, compared to the net asset value at the beginning of the relevant period.

Period	**IRR**
10 years	6.8%
5 years	9.2%
3 years	3.9%
1 year	1.4%

Expenses
Ongoing Charges

The Ongoing Charges figure, as calculated in line with the AIC recommended methodology, is used by the Board to monitor expenses. This figure shows shareholders the costs of the Company's recurring operational expenses, expressed as a percentage of the average net asset value. Whilst based on historical information, this provides an indication of the likely level of costs that will be incurred in managing the Company in the future.

	Year to 31 December 2024 (%)	Year to 31 December 2023 (%)
Ongoing Charges figure*	**1.98**	2.14

* Alternative Performance Measure

Shareholders also benefit from the Company's agreement with the Manager to pay a lower level of management fee of 1 per cent on surplus cash. The Company's ongoing charges ratio is one of the lowest in the VCT industry.

Expenses Cap
The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

A principal risk facing the Company is the retention of its VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from the Manager. In addition, the Board receives formal reports from its VCT Tax Adviser (Philip Hare & Associates LLP) twice a year. The Board confirms that during the period, all VCT legislative tests have been met.

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are further specific tests that VCTs must meet following the initial three year provisional period.

Income Test

The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities.

Retained Income Test

The Company must not retain more than 15 per cent of its income from shares and securities.

Qualifying Investments Test

At least 80 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Investments of investee companies.

For shares issued in accounting periods beginning on or after 6 April 2018, at least 30 per cent of those share issues must be invested in Qualifying Investments of investee companies by the anniversary of the accounting period in which those shares are issued.

Eligible Shares Test

At least 70 per cent of the Company's Qualifying Investments must be represented throughout the period by holdings of non-preferential shares.

Investments made before 6 April 2018 from funds raised before 6 April 2011 are excluded from this requirement.

At least 10 per cent of the Company's total investment in each Qualifying Investment must be in eligible shares.

In addition, monies are not permitted to be used to finance buy-outs or otherwise to acquire existing businesses or shares.

Investment Limits

There is an annual limit for each investee company which provides that they may not raise more than £5 million of state aided investment (including from VCTs) in the 12 months ending on the date of each investment (£10 million for Knowledge Intensive Companies).

There is also a lifetime limit that a business may not raise more than £12 million of state aided investment (including from VCTs); the limit for Knowledge Intensive Companies is £20 million.

Maximum Single Investment Test

The value of any one investment must not, at any time in the period, represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and updated should there be further additions; as such, it cannot be breached passively.

The Board can confirm that during the period, all of the VCT legislative tests set out above have been met, where required.

Further restrictions placed on VCTs are:

Dividends from Cancelled Share Premium

The Finance Act 2014 introduced a restriction with respect to the use of monies in respect of VCTs. In particular, no dividends can be paid out of share capital or cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three full financial years have elapsed from the date of allotment.

In December 2024 the Company cancelled the balance of its Share Premium and Capital Redemption Reserve of £54.3 million, of which £0.1 million is now distributable. The remaining £54.2 million will become distributable over the period to 1 January 2028, as set out below.

Also in December 2024, the Company reduced the nominal value of the share capital of the Company from 10 pence per ordinary share to 0.01 pence per ordinary share, creating additional distributable reserves of £30.9 million, of which £15.8 million is now distributable. The remaining £15.1 million will become distributable over the period to 1 January 2028, as set out on page 63 of the annual report.

Other

No more than seven years can have elapsed since the first commercial sale achieved by the business (ten years in the case of a Knowledge Intensive Company), unless:

a. The business has previously received an investment from a source that has received state aid; or
b. The investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

Wherever possible, the Company self-assures that an investment is a Qualifying Investment, subject to the receipt of professional advice.

Portfolio Structure and Analysis

Portfolio Structure

The broad range of the portfolio is illustrated below, with 51 per cent of the portfolio valuation being held for more than five years, whilst 94 per cent is held at cost or above. 5 per cent of the portfolio value is held in loans and preference shares.

AGE OF INVESTMENTS (%)

	2024	2023
Less than 1 year	6%	8%
Between 1 and 3 years	28%	22%
Between 3 and 5 years	15%	29%
Greater than 5 years	51%	41%
Total	**100%**	**100%**

VALUE COMPARED TO COST (%)

	2024	2023
Value above cost	88%	93%
At cost	6%	4%
Value below cost	6%	3%
Total	**100%**	**100%**

INVESTMENT INSTRUMENT (%)

	2024	2023
Loan	2%	3%
Preference shares	3%	5%
	5%	**8%**
Equity	95%	92%
Total	**100%**	**100%**

Portfolio Analysis

Also included below is a profile of the portfolio by industry sector.

INDUSTRY SECTOR (%)

	2024	**2023**
Data	28%	30%
Application Software	24%	22%
Tech-enabled Services	17%	18%
Cloud & DevOps	12%	7%
New Media	7%	10%
Business Services	6%	8%
Retail & Brands	4%	4%
Other	2%	1%
Total	**100%**	**100%**

Investment Review

The movements in the investment portfolio are set out in Table A below:

Table A Investment Portfolio

			Investment portfolio £million
Opening fair value at 1 January 2024			96.4
Additions			15.1
Disposal proceeds			(9.0)
Valuation movement			3.0
Closing fair value at 31 December 2024			**105.5**
Accrued income			1.3
Financial assets – investments			**106.8**

At 31 December 2024 the investment portfolio was valued at £105.5 million, representing 65.8 per cent of net assets (71.1 per cent at 31 December 2023). Cash, cash equivalents and current asset investments at 31 December 2024 of £53.1 million represent 33.1 per cent of net assets (28.2 per cent at 31 December 2023).

The Portfolio

£105.5 million	**Fair value of the portfolio**	(2023: £96.4 million)
31	**Number of portfolio companies with an investment value of more than £0.75 million**	(2023: 26)
£0.6 million	**Income from the portfolio**	(2023: £0.7 million)
£15.1 million	**Level of investment**	(2023: £10.0 million)
£2.9 million	**Return from the portfolio**	(2023: £9.1 million)

The portfolio showed steady performance in the period, adding £2.9 million of value on the opening fair value of £96.4 million. The composition of investments continues to show its dynamism, with £15.1 million invested in the period and proceeds of £9.4 million recognised.

Fair value changes
Table B Gain from Investment Portfolio

	£million
Gain in fair value from the portfolio	3.1
Loss on disposal over opening value from the portfolio	(0.2)
Gain arising from the portfolio	2.9
Deferred income recognised	0.4
Gain arising from the investment portfolio	3.3

Of the £3.3 million gain in the year, £0.2 million arose from investments which were realised, including deferred consideration received from investments realised in prior years. Further details can be found in the Chair's Statement and note 7 to the financial statements.

The ongoing portfolio delivered a net value gain of £3.1 million in the year. It is pleasing to see the fair value increases arising across a range of companies, including tech-focused businesses such as Vypr, Summize, AutomatePro, Arcus, Xapien and SharpCloud, as well as legacy companies such as ACC Aviation and Teraview.

Some decreases in value have been seen, with notable reductions for the investments in Matillion, Wooshii and Outpost. The Manager continues to work closely with the companies' management teams to navigate their current challenges.

Other Significant Investment Movements

Investments
During the year ended 31 December 2024, the Company invested £15.1 million across fourteen companies.

Four new companies were added to the portfolio, receiving aggregate investment of £5.7 million; while a further £9.4 million was invested across ten existing portfolio companies. The analysis of these investments is shown in Table C. The case studies on page 24 of the annual report give more information on the investments in Xapien and AutomatePro.

Table C Investments

Company	Investments made		
	New £million	Follow-on £million	Total £million
Xapien	-	2.9	2.9
Fuuse	2.0	-	2.0
Spotless Water	1.4	-	1.4
Quality Clouds	-	1.3	1.3
Integrum ESG	1.2	-	1.2
AutomatePro	-	1.2	1.2
Ohalo	1.1	-	1.1
Plandek	-	1.0	1.0
Outpost	-	0.8	0.8
SharpCloud	-	0.6	0.6
Biorelate	-	0.5	0.5
Summize	-	0.5	0.5
Relative Insight	-	0.4	0.4
Wooshii	-	0.2	0.2
Portfolio	**5.7**	**9.4**	**15.1**

In January 2025 the Company invested £1.4 million into new investment Stormharvester, an AI analytics platform for wastewater utilities, and in March 2025 the Company invested £2.8 million into portfolio companies DrDoctor, and Vypr.

Disposal of Investments
During the year to 31 December 2024, the Company received proceeds from disposals of £9.4 million, a net gain of £0.2 million over the opening carrying value at the beginning of the year, and an overall net gain of £7.3 million over cost. This included the successful realisations of Displayplan and Traveltek. Further details are given in the Chair's statement above.

Table D Disposal of Investments

	Net proceeds from sale of investments £million	Opening value 31 December 2023 £million	(Loss) gain on opening value £million
Portfolio	9.0	9.2	(0.2)
Deferred consideration	0.4	-	0.4
Total investment disposals	**9.4**	**9.2**	**0.2**

Further analysis of all investments sold in the year can be found in note 7 to the financial statements.

Investment Portfolio Composition

As at 31 December 2024, the portfolio was valued at £105.5 million, comprising wholly of unquoted investments. An analysis of the movements in the year is shown on page 75 of the annual report.

The portfolio has 31 investments valued above £0.75 million, five more than a year earlier, with the single largest investment, Matillion, representing 12.2 per cent of the net asset value.

The charts on pages 16 and 17 of the annual report show the diversity of the portfolio, split by industry sector, age of investment, investment instrument and the valuation compared to cost.

Treasury Management

Under VCT legislation, it is not possible to deposit funds for longer than seven days, which means that cash deposits must be available on very short notice. The Company takes an active approach to cash management, whilst pursuing its primary aim of capital preservation. This is effected through the use of a pool of money market funds (which can be converted back to cash with immediate notice) and cash deposits held with Tier 1 banking institutions. £2.7 million of income was earned from money market funds and bank deposits during the year. At 31 December 2024, the Company was achieving a weighted average return on liquid assets of 4.5 per cent. This rate had reduced to 4.2 per cent at 28 February 2025.

Valuation Policy

Unquoted investments are valued in accordance with both IFRS 13 'Fair Value Measurement' and International Private Equity and Venture Capital Guidelines (the "IPEV Guidelines").

Initially, at the first quarter-end following investment, investments are valued at the price of the funding round; following this, the valuation switches to a new primary basis for all subsequent periods.

The valuation methodology applied depends upon the facts and circumstances of each individual investment. This may be with reference to revenue multiples, earnings multiples, net assets, discounted cash flows or calibrated from the price of the most recent investment.

The full valuation policy is set out in note 1 on pages 66 and 67 of the annual report.

Table E shows the value of investments within each valuation category as at 31 December 2024.

With continued investment in earlier stage businesses that are investing for growth, the majority of valuations continue to be based on revenue multiples.

Table E Valuation Policy

	2024		2023
	Valuation £million	**% of portfolio by value**	% of portfolio by value
Revenue multiple	**90.7**	**86**	84
Earnings multiple	**9.8**	**9**	7
Net assets, reviewed for change in fair value	**2.7**	**3**	2
Cost or price of recent investment, reviewed for change in fair value	**2.3**	**2**	-
Sale proceeds	**-**	**-**	7
Total	**105.5**	**100**	**100**

Responsible Investment and Environmental, Social and Governance ("ESG") Management

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth with the additional aim of building better businesses that are ultimately more sustainable.

In order to deliver more sustainable businesses, and to meet its commitments under the Principles for Responsible Investment (the "PRI"), the Manager has continued to develop its processes in this area.

The Manager's approach is based on the belief that good businesses:

- Grow our economy
- Improve our society
- Value their people
- Protect the environment

These aims are consistent with the Company's financial because businesses which improve in these areas also strengthen their resilience and value creation potential through their increased attractiveness to customers, employees, suppliers, and eventual future owners and investors.

Responsible Investment Principles

This set of principles guides the Manager's investment process:

> To seek to understand the ESG related impacts and risk factors of the businesses the Company invests in, aiming to enhance positive impacts and to avoid, reduce or minimise any negative impacts where possible, over an investment's lifetime, leaving them overall better businesses;

> To play a positive role in the investor, business and wider communities by promoting good practice in ESG management, and by being transparent in the way that investments are made and how the Manager behaves;

> To increase focus on the challenge of climate change both as it may be affected by our investments, and as it may impact on the Manager's portfolio companies and their resilience to possible climate change scenarios;

> To show leadership by managing the Manager's own business' ESG impacts to the best of its ability; and

> To be a proactive signatory to the PRI and to integrate its principles into the Manager's business practices.

In line with the PRI the Manager has developed processes to help portfolio companies to improve in each of these spheres, by assessing them in terms of creating positive impacts and outcomes and preventing or minimising negative ones.

The Manager has developed and integrated the following ESG management processes:

>Pre-investment Phase:
Structured processes at the pre-investment stage to identify areas of potential ESG improvement and risk as part of the due diligence and pre-investment deliberations. Appropriate data is collected and assessed on each business against ESG criteria at the point of investment as a benchmark against which to evaluate future progress.

>Portfolio Phase:
Based on the data collected at the point of investment, at the start of the portfolio phase, bespoke areas for improvement are agreed with each management team, together with consequent objectives and targets. Improvements are then monitored, measured and recorded against a set of ESG criteria using the Manager's bespoke ESG framework. During the portfolio phase, targets are refreshed and increased focus is placed on any new issue as they become more material in the management of the company and in meeting the expectations of its stakeholders.

>Reporting:
Annual reports are produced using the Manager's ESG framework, recording the ESG KPI performance of each company and providing an overview of progress across the Manager's portfolios.

Investment Companies, such as the Company, are not within scope for reporting under the Task Force on Climate-Related Financial Disclosures (TCFD); and the Company does not use more than 40,000kWh of energy and therefore is not required to report on its energy usage within Streamlined Energy and Carbon Reporting regulations.

>Oversight and Support:
To ensure effective oversight and support, the Manager has established an ESG Committee that meets quarterly to oversee its responsible investment strategy ESG approach. Additionally, in 2024 the Manager has recruited an ESG & Sustainability Manager who works across its portfolio companies to implement ESG initiatives and encourage and share ESG best practice. The support offered includes operating a programme of events and webinars and providing ESG resources to the portfolio focused on key ESG themes, such as environmental management, diversity and inclusion, company culture, and cyber security.

ESG Performance Data and Reporting

ESG KPI data analysis
The Manager has developed its own ESG KPI data collation process, allowing it to monitor year-on-year performance and benchmark across its portfolio. This includes providing its portfolio companies with a bespoke annual Healthcheck report showing their performance across a range of ESG areas.

2024 ESG KPI Report for Investments held in the British Smaller Companies VCT funds

Growing our economy
> £56 million of R&D investment during 2024
> £108 million of export sales achieved in 2024
> c.600 new jobs were created from date of investment to 2024, representing a 41 per cent increase

Improving our society
> 84 per cent of the portfolio provided employees with cyber-security training
> 66 per cent of portfolio companies had a cyber accreditation or management system in place
> on average 75 per cent of our portfolio companies rate their employees good or above
> 84 per cent of companies were independently chaired in 2024

Valuing our people
> 53 per cent of portfolio companies had mental well-being programmes in place and 66 per cent held regular employee engagement surveys
> 44 per cent of the portfolio are measuring DE&I metrics and have a policy in place
> 44 per cent of companies had female representation at board-level, with 13 per cent having a female CEO/MD

> 53 per cent of businesses had a designated board member with responsibility for improving ESG issues
> 34,000 hours of non-statutory training was given to employees across the portfolio

Protecting our environment
> 44 per cent had environmental policies in place
> 16 per cent formally measure their carbon footprint with 13 per cent formally setting a target and strategy for achieving net zero carbon emissions
> 9 per cent per cent offset all or a defined portion of their carbon emissions

Summary and Outlook

Despite increased geopolitical uncertainty and tariff threats from a change in government in the US, and subdued business confidence in the UK, there has been promising growth from portfolio companies in the year, driven by increases in underlying revenue and market multiples.

Navigating the macroeconomic headwinds, we have been encouraged by the progress made by the portfolio, with strong rates of revenue growth seen from many companies this year. Where companies are performing strongly, we have taken the opportunity to provide further funding to allow them to continue their positive progress.

Thanks to the support of shareholders the Company remains well funded to both continue to support the portfolio in this way, as well as to invest in exciting fast growing UK businesses.

Eamon Nolan
YFM Private Equity Limited

Portfolio Summary at 31 December 2024

Name of company	Date of initial investment	Location	Industry Sector	Amount invested £000	Valuation at 31 December 2024 £000	Recognised income/ proceeds to date £000	Realised & unrealised value to date* £000
Matillion Limited	Nov-16	Manchester	Data	1,778	19,624	5,946	25,570
Unbiased EC1 Limited	Dec-19	London	Tech-enabled Services	3,731	8,962	-	8,962
Xapien (via Digital Insight Technologies Limited)	Mar-23	London	Application Software	4,064	5,132	-	5,132
Outpost VFX Limited	Feb-21	Bournemouth	New Media	3,833	5,058	84	5,142
SharpCloud Software Limited	Oct-19	London	Data	2,920	4,789	-	4,789
Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	2,200	4,475	-	4,475
Force24 Ltd	Nov-20	Leeds	Application Software	2,600	4,331	74	4,405
ACC Aviation Group Limited	Nov-14	Reigate	Business Services	1,379	4,285	3,525	7,810
AutomatePro Limited	Dec-22	London	Cloud & DevOps	2,683	4,253	-	4,253
Quality Clouds Limited	May-22	London	Cloud & DevOps	3,880	4,118	-	4,118
Elucidat Ltd	May-19	Brighton	Application Software	2,840	4,057	382	4,439
Summize Limited	Oct-22	Manchester	Application Software	1,700	3,256	-	3,256
Plandek Limited	Oct-22	London	Cloud & DevOps	2,360	2,908	-	2,908
Investment companies	Apr-15	-	-	2,500	2,687	93	2,780
Tonkotsu Limited	Jun-19	London	Retail & Brands	1,592	2,546	-	2,546
Workbuzz Analytics Limited	Jun-23	Milton Keynes	Application Software	1,718	2,476	-	2,476
DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	2,377	2,377	-	2,377
GEEIQ (via Checkpoint GG Limited)	Sep-23	London	Data	1,572	2,146	-	2,146
Fuuse Limited	May-24	Lancaster	Application Software	2,000	2,000	-	2,000
Spotless Water Limited	Jun-24	Frimley	Business Services	1,456	1,729	-	1,729
Vuealta Holdings Limited	Sep-21	London	Tech-enabled Services	2,386	1,594	3,106	4,700
Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,200	1,447	-	1,447
Wooshii Limited	May-19	London	New Media	3,277	1,419	557	1,976
Ohalo Limited	Jun-24	Bicester	Data	1,110	1,277	-	1,277
KeTech Technology Holdings Limited	Nov-15	Nottingham	Tech-enabled Services	2,000	1,275	4,059	5,334

Biorelate Limited	Nov-22	Manchester	Application Software	1,540	1,199	-	1,199
Relative Insight Limited	Mar-22	Lancaster	Tech-enabled Services	2,920	1,180	4	1,184
Integrum ESG Limited	Sep-24	London	Data	1,160	1,160	-	1,160
Teraview Limited	Apr-17	Cambridge	Advanced Manufacturing	377	1,100	-	1,100
Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data	1,000	1,000	-	1,000
Arcus Global Limited	May-18	Cambridge	Application Software	2,050	940	229	1,169
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Cloud & DevOps	2,045	726	1	727
Other investments below £0.5 million				6,869	-	4,487	4,487
Total unquoted investments				**77,117**	**105,526**	**22,547**	**128,073**
Full disposals to date				51,448	-	90,148	90,148
Total portfolio				**128,565**	**105,526**	**112,695**	**218,221**

*represents recognised income and proceeds received to date plus the unrealised valuation at 31 December 2024.

Summary of Portfolio Movement

Name of company	Investment valuation at 31 December 2023	Disposal proceeds	Additions	Valuation gains including profits/ (losses) on disposal	Investment valuation at 31 December 2024
	£000	£000	£000	£000	£000
ACC Aviation Group Limited	2,905	-	-	1,380	4,285
Vypr Validation Technologies Limited	3,222	-	-	1,253	4,475
Summize Limited	1,604	-	500	1,152	3,256
AutomatePro Limited	2,088	-	1,200	965	4,253
Arcus Global Limited	200	(200)	-	940	940
Xapien (via Digital Insight Technologies Limited)	1,294	-	2,904	934	5,132
SharpCloud Software Limited	3,309	-	649	831	4,789
Teraview Limited	338	-	-	762	1,100
Unbiased EC1 Limited	8,365	-	-	597	8,962
Plandek Limited	1,380	-	980	548	2,908
Tonkotsu Limited	2,020	-	-	526	2,546
Workbuzz Analytics Limited	2,111	-	-	365	2,476
GEEIQ (via Checkpoint GG Limited)	1,821	-	-	325	2,146
Spotless Water Limited	-	-	1,456	273	1,729
Investment Companies	2,443	-	-	244	2,687
Force24 Ltd	4,126	-	-	205	4,331
Ohalo Limited	-	-	1,110	167	1,277
Quality Clouds Limited	2,763	-	1,270	85	4,118
Displayplan Holdings Limited	4,741	(4,821)	-	80	-
Sipsynergy (via Hosted Network Services Limited)	715	-	-	11	726
DrDoctor (via ICNH Ltd)	2,377	-	-	-	2,377
Fuuse Limited	-	-	2,000	-	2,000
Integrum ESG Limited	-	-	1,160	-	1,160
KeTech Holdings Limited/ KeTech Technology Holdings Limited	2,765	(1,461)	-	(29)	1,275
Panintelligence (via Paninsight Limited)	1,046	-	-	(46)	1,000
Vuealta Holdings Limited	1,660	-	-	(66)	1,594
Frescobol Carioca Ltd	1,518	-	-	(71)	1,447
Other investments below £0.5 million	133	-	-	(133)	-
Traveltek Group Holdings Limited	2,731	(2,494)	-	(237)	-
Elucidat Ltd	4,398	-	-	(341)	4,057
Biorelate Limited	1,146	-	500	(447)	1,199
Relative Insight Limited	1,357	-	384	(561)	1,180
Outpost VFX Limited	5,879	-	833	(1,654)	5,058
Wooshii Limited	3,638	-	181	(2,400)	1,419
Matillion Limited	22,334	-	-	(2,710)	19,624
Total unquoted investments	**96,427**	**(8,976)**	**15,127**	**2,948**	**105,526**
Accrued income					1,241
Financial assets – investments					**106,767**

Risk Factors

The Board carries out a regular review of the risk environment in which the Company operates. The emerging and principal risks and uncertainties identified by the Board and techniques used to mitigate these risks are set out in this section.

The Board seeks to mitigate its emerging and principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in section 8: "Audit, Risk and Internal Control" of the AIC Code. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 47 and 48 of the annual report and further information on exposure to risks, including those associated with financial instruments, can be found in note 16 of the financial statements.

The Board carries out a regular review of the risk environment in which the Company operates, together with changes to the operational environment. The Board also seeks to identify emerging risks which might impact on the Company.

The principal and emerging risks identified by the Board, and how the Board manages the risks are set out below.

Risk	Commentary	Mitigation
Macroeconomic: Macroeconomic risk refers to the potential for losses or adverse effects on an investment or business due to broad economic factors such as inflation, interest rates, economic growth, and political stability.	Up. Events such as the conflicts in the Middle East and Ukraine, elections and the threat of US trade tariffs continue to present risks to trading conditions. These risks can impact entire markets and economies, influencing the performance of investments and the overall business environment. The crystallisation of these risks could adversely affect smaller companies' valuations, as they may be more vulnerable to changes in trading conditions or the sectors in which they operate. This could lead to a reduction in the Company's share price, resulting in capital losses for Shareholders.	The Board, in conjunction with the Manager, regularly assesses the resilience of the portfolio. The Company has a clear Investment Policy (summarised above) and invests in a diverse portfolio of companies across a range of sectors, which helps to mitigate against the impact on any one sector. The Manager also seeks to maintain adequate liquidity to ensure it can provide follow-on investment to those portfolio companies which require funding when supported by the individual investment case
Portfolio: Portfolio risk refers to the potential for losses within an investment portfolio due to various factors, including market volatility, economic changes, and specific risks associated with individual assets. It encompasses both systematic risk, which affects the entire market, and idiosyncratic risk, which is unique to specific investments.	Unchanged. The Company invests in small and medium-sized VCT qualifying companies, which, by their nature, entail a higher level of risk and shorter cash runway than investments in larger quoted companies. Poor performance could reduce returns for shareholders through downward valuations.	The Board comprises individuals experienced in assessing suitable investment opportunities. The Manager has significant experience, expertise and a strong track record of investing in early-stage unquoted companies. The Manager has a rigorous and robust formal process in selecting new companies which includes appropriate due diligence and approval by an Investment Committee made

	A current emerging risk that we are actively monitoring is the impact of the rapid advancement of AI and machine leading technology and its potential to disrupt a range of industries and sectors. A failure to implement effective portfolio risk management such as diversification, regular monitoring, and strategic adjustments to mitigate these risks could result in poor investment outcomes.	up of senior members of the Manager's investment team.
ESG: ESG risk refers to ESG factors that can affect portfolio companies and the Manager. These risks include exposure to regulatory non-compliance, reputational damage, climate related vulnerabilities, and workforce or supply chain issues.	Unchanged Investors are increasingly focusing on ESG-related challenges such as climate transition, biodiversity, and regulatory changes. Should the Company fail to properly manage the risk of regulatory non-compliance it could suffer financial penalties, reputational damage or erode investor trust.	The Manager has implemented a robust governance framework designed to ensure compliance with regulatory initiatives. This framework also aims to support and educate portfolio companies. Additionally, the Manager actively conducts horizon scanning to anticipate and respond to emerging ESG trends.
Strategic: Strategic risk involves the potential for losses due to poor strategic decisions, such as market positioning, misjudging market trends, or failing to adapt to regulatory changes. This risk can impact our ability to achieve the investment objectives and deliver returns to investors.	Unchanged. The Board sets appropriate strategic objectives and monitors the Company's implementation of the strategy. The key strategy being to maintain VCT qualifying status, a loss of this status could lead to investors losing the various tax benefits associated with VCT investments.	The Board reviews strategy annually. At each of the Board meetings, the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. It also reviews compliance of the Manager with the stated investment strategy. The Manager also tracks the Company's VCT qualifying status on an ongoing and continual basis. Furthermore, external independent experts have been retained and report on the VCT qualifying status twice per year. The Manager reports to the Board on a quarterly basis. Further information on these requirements can be found under the heading "Compliance with VCT Legislative Tests" on pages 14 and 15 of the annual report.

Legislative & Regulatory: Legislative and regulatory risk refers to the potential for losses or adverse outcomes due to changes in laws, regulations, or non-compliance with existing rules. This risk can impact an organisation's operations, financial performance, and reputation.	Unchanged. Should the Company fail to comply with applicable laws and regulations, or adapt to new legal requirements, it could suffer financial loss, reputational damage or regulatory intervention, including the loss of VCT status. Key relevant legislation and regulation includes VCT rules, UK Listing Authority Rules, AIC Code on Corporate Governance, Stewardship Code, Companies Act, Bribery Act, Market Abuse Regulations, data protection rules, Criminal Finances Act and relevant Taxes Acts Changes to the UK legislation, in particular relating to the VCT rules, could have an adverse effect on the Company's ability to achieve investment returns. Failure to adapt to new legal requirements, maintain compliance with current regulations, and manage the consequences of any legal or regulatory breaches could result in regulatory action.	The Manager ensures that it has suitably qualified members of staff who are experienced with regulatory requirements and relevant accounting standards. The Manager and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met. The Board and Manager review corporate governance, regulatory legislative change and political developments on a continual basis and seek additional advice as and when required. The Manager is a member of the Venture Capital Trust Association which engages with the Government to help shape future legislation.
Operational: Operational risk refers to the potential for losses resulting from inadequate or failed internal processes, systems, human errors, or external events. This includes risks such as fraud, system failures, data breaches, and natural disasters.	Unchanged. Effective management of operational risk involves implementing robust internal controls, regular monitoring, and contingency planning to minimise the impact of these risks on the operations and financial stability of the Company. Failure of key service providers, such as the Manager, to have adequate procedures for the identification, evaluation and management of risks could put the Company's assets and data at risk.	The Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and proper accounting records are maintained.

Liquidity: Liquidity risk refers to the potential difficulty a fund may face in meeting its short-term financial obligations due to an inability to quickly convert assets into cash without significant loss in value.	Unchanged. Should the Company fail to manage its liquidity risk it may result in financial losses owing to discounted sales, reputational damage and potential regulatory action.	The Company's overall liquidity risks and cashflow forecasts are monitored on an ongoing basis by the Manager and on a quarterly basis by the Board. The Company's valuation methodology takes account of potential liquidity restrictions in the markets in which it invests. The Manager regularly reviews its exit plans for portfolio companies to aim to identify what it believes to be the optimal point at which to seek a sale. As part of a planned exit, the assistance of a third party adviser will normally be sought, with a view to identifying the most appropriate number of possible purchasers.
Emerging Risk - Cyber Security & Information Technology: Cybersecurity & information technology risk refers to the potential for financial loss, operational disruption, or reputational damage due to cyber threats and IT system failures. This includes risks such as data breaches, hacking, malware attacks, and system outages.	Up. A failure to implement effective management involving robust security measures, regular system updates, employee training, and incident response plans to protect sensitive information and ensure the resilience of IT infrastructure could result in data loss, operational disruptions, financial losses, reputational damage and regulatory fines.	The Manager has in place significant cybersecurity controls, including multifactor authentication, email protection software, monitored firewalls and regularly updated electronic devices. Staff at the Manager regularly receive training in relation to their cybersecurity obligations. The Manager is Cyber Essentials Plus certified. Due diligence is conducted on other service providers, including a review on their controls for information security.

Other Matters

Section 172 Statement

This Section 172 Statement should be read in conjunction with the other contents of the Strategic Report, on pages 6 to 36 of the annual report.

Section 172 of the Companies Act 2006 requires that a director must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

> The likely consequences of any decision in the long term;
> The interests of the company's employees;
> The need to foster the company's business relationships with suppliers, customers and others;
> The impact of the company's operations on the community and the environment;
> The desirability of the company maintaining a reputation for high standards of business conduct; and
> The need to act fairly as between members of the company.

The Company takes a number of steps to understand the views of investors and other key stakeholders and considers these, along with the matters set out above, in Board discussions and decision making.

Key Stakeholders

As an investment company with no employees, the Company's key stakeholders are its investors, its service providers and its portfolio companies.

Investors

The Board engages and communicates with shareholders in a variety of ways.

The Company encourages shareholders to attend its Annual General Meeting.

Along with British Smaller Companies VCT plc, the Company held an Investor Workshop on 24 June 2024, which was well attended. A further event is scheduled for June 2025.

Maintaining the Company's status as a VCT is critical to meeting the Company's objective to maximise Total Return and provide investors with an attractive long-term tax-free dividend yield. The Company receives regular reports on this issue from the Manager and has taken various steps in the year to ensure that the relevant tests are met.

The Board also aims for investors to continue to have tax efficient opportunities to invest in the Company, and to generate tax-free returns from both capital appreciation and ongoing dividends.

After carefully considering its funding needs, on 17 October 2024 the Company issued a prospectus, alongside British Smaller Companies VCT plc, to raise up to £75 million in aggregate for the 2024/25 tax year.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Along with normal dividends totalling 3.00 pence per ordinary share in the year ended 31 December 2024, a special dividend of 1.00 pence per ordinary share was paid in January 2025, following the realisation of the Company's investment in Traveltek in 2024.

To ensure the Company has sufficient distributable reserves to facilitate the above arrangements, the Company called a General Meeting on 12 November 2024 which recommended resolutions relating to the cancellation of the Company's share premium account and capital redemption reserve, and the reduction in the nominal value of the Company's issued share capital. The approved resolutions will create £85.3 million of additional distributable reserves over the next three years. There was no dilution to shareholders interest from the resolutions.

Manager

The Company's most important service provider is its Manager. There is regular contact with the Manager, and members of the Manager's board attend all of the Company's Board meetings. There is also an annual strategy meeting with the Manager, alongside the board of British Smaller Companies VCT plc.

The Manager maintains strong relationships with relevant media publications and a wide range of distributors for the Company's shares, including wealth managers, independent financial advisers and execution-only brokers. RAM Capital acts as a promoter of the Company's shares to smaller distributors.

The Company is a member of the Association of Investment Companies which promotes the interests of investment companies, including VCTs. The Manager is a founder member of the Venture Capital Trust Association, which promotes the interests of VCTs in a variety of ways.

Portfolio Companies

The Company holds minority investments in its portfolio companies and has delegated the management of the portfolio to the Manager. The Manager provides the Board with regular updates on the performance of each portfolio company at least quarterly and the Board is made aware of all major issues.

The Manager has a dedicated Portfolio team to assist the portfolio companies with the challenges that they face as fast-growing companies. The Manager promotes ongoing sustainable growth within the businesses; this often involves improving systems and processes, as well as significant job creation.

Employees

The Company has no employees. The Board is composed of one female non-executive director and two male non-executive directors. For a review of the policies used when appointing directors to the Board of the Company, please refer to the Directors' Remuneration Report.

Environment and Community

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Manager, YFM Private Equity Limited, which recognises the importance of its environmental responsibilities and is a signatory of the United Nations' Principles for Responsible Investment.

More details of the work that the Manager has achieved in this area are set out below. Its Responsible Investment Policy can be found at www.yfmep.com/who-we-are/our_impact/.

Business Conduct

The Company has a zero tolerance approach to bribery and corruption. The following is a summary of the controls in place:

> The Company conducts all its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
> The Company prohibits the offering, the giving, the solicitation or the acceptance of any bribe;
> The Company has communicated its Anti-Bribery & Corruption Policy to the Manager and its other service providers; and
> The Manager has its own Anti-Bribery & Corruption Policy and monitors portfolio companies' compliance with their legal obligations.

Statement on Long-term Viability

The statement on long-term viability on page 39 of the annual report is included in the Strategic Report by reference.

Barbara Anderson
Chair

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 Revenue £000	2024 Capital £000	2024 Total £000	2023 Revenue £000	2023 Capital £000	2023 Total £000
Gains on investments held at fair value	7	**-**	**3,105**	**3,105**	-	8,043	8,043
Gain on disposal of investments	7	**-**	**234**	**234**	-	1,018	1,018
Gain arising from the investment portfolio		**-**	**3,339**	**3,339**	-	9,061	9,061
Income	2	**3,336**	**-**	**3,336**	2,047	-	2,047
Total income		**3,336**	**3,339**	**6,675**	2,047	9,061	11,108
Administrative expenses:							
Manager's fee		**(624)**	**(1,872)**	**(2,496)**	(536)	(1,611)	(2,147)
Incentive fee		**-**	**(818)**	**(818)**	-	(1,601)	(1,601)
Other expenses		**(751)**	**-**	**(751)**	(669)	-	(669)
	3	**(1,375)**	**(2,690)**	**(4,065)**	(1,205)	(3,212)	(4,417)
Profit before taxation		**1,961**	**649**	**2,610**	842	5,849	6,691
Taxation	4	**(12)**	**12**	**-**	-	-	-
Profit for the year		**1,949**	**661**	**2,610**	842	5,849	6,691
Total comprehensive income for the year		**1,949**	**661**	**2,610**	842	5,849	6,691
Basic and diluted earnings per ordinary share	6	**0.72p**	**0.24p**	**0.96p**	0.39p	2.69p	3.08p

The accompanying notes on pages 65 to 87 of the annual report are an integral part of the financial statements.

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with UK adopted international accounting standards. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in July 2022 – "SORP") published by the AIC.

Balance Sheet
At 31 December 2024

	Notes	2024 £000	2023 £000
Assets			
Non-current assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	7	**106,767**	97,702
Accrued income and other assets		**-**	210
		106,767	97,912
Current assets			
Accrued income and other assets		1,651	475
Current asset investments		35,500	23,500
Cash at bank		17,627	15,571
		54,778	39,546
Liabilities			
Current liabilities			
Trade and other payables		**(1,094)**	(1,842)
Net current assets		**53,684**	37,704
Net assets		**160,451**	135,616
Shareholders' equity			
Share capital		31	25,014
Share premium account		-	25,386
Capital redemption reserve		-	88
Other reserves		2	2
Merger reserve		217	5,525
Capital reserve		121,455	37,458
Investment holding gains and losses reserve	7	36,280	40,245
Revenue reserve		2,466	1,898
Total shareholders' equity		**160,451**	135,616
Net asset value per ordinary share	8	**57.10p**	59.3p

The accompanying notes on pages 65 to 87 of the annual report are an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 18 March 2025.

Barbara Anderson
Chair

Statement of Changes in Equity
For the year ended 31 December 2024

	Share capital	Share premium account	Other reserves *	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 December 2022	20,014	858	5,615	52,263	31,762	1,357	111,869
Revenue return for the year	-	-	-	-	-	842	842
Expenses charged to capital	-	-	-	(3,212)	-	-	(3,212)
Investment holding gain on investments held at fair value	-	-	-	-	8,043	-	8,043
Realisation of investments in the year	-	-	-	1,018	-	-	1,018
Total comprehensive (expense) income for the year	-		-	(2,194)	8,043	842	6,691
Issue of share capital	4,636	24,077	-	-	-	-	28,713
Issue of shares – DRIS	364	1,719	-	-		-	2,083
Issue costs **	-	(1,268)	-	-	-	-	(1,268)
Purchase of own shares	-	-	-	(1,516)	-	-	(1,516)
Dividends	-	-	-	(10,655)	-	(301)	(10,956)
Total transactions with owners	5,000	24,528	-	(12,171)	-	(301)	17,056
Realisation of prior year investment holding losses	-	-	-	(440)	440	-	-
Balance at 31 December 2023	**25,014**	**25,386**	**5,615**	**37,458**	**40,245**	**1,898**	**135,616**
Revenue return for the year	-	-	-	-	-	1,961	1,961
Expenses charged to capital	-	-	-	(2,690)	-	-	(2,690)
Investment holding gain on investments held at fair value	-	-	-	-	3,105	-	3,105
Realisation of investments in the year	-	-	-	234	-	-	234
Taxation	-	-	-	12	-	(12)	-
Total comprehensive (expense) income for the year	-		-	(2,444)	3,105	1,949	2,610
Issue of share capital	5,720	28,822	-	-	-	-	34,542
Issue of shares – DRIS	246	1,153	-	-		-	1,399
Issue costs **	-	(1,131)	-	-	-	-	(1,131)
Reduction in nominal value	(30,949)	-	-	30,949	-	-	-
Share premium cancellation		(54,230)	(88)	54,318	-	-	-
Purchase of own shares	-	-	-	(4,086)	-	-	(4,086)
Dividends	-	-	-	(7,118)	-	(1,381)	(8,499)
Total transactions with owners	(24,983)	(25,386)	(88)	74,063	-	(1,381)	22,225
Transfer between reserves	-	-	(5,308)	5,308	-	-	-

Realisation of prior year investment holding gains	-	-	-	7,070	(7,070)	-	-
Balance at 31 December 2024	**31**	**-**	**219**	**121,455**	**36,280**	**2,466**	**160,451**

The accompanying notes on pages 65 to 87 of the annual report are an integral part of the financial statements.

Reserves available for distribution

Under the Companies Act 2006 the capital reserve and the revenue reserve are distributable reserves. The table below shows amounts that are available for distribution.

	Capital reserve	Revenue reserve	Total
	£000	£000	£000
Distributable reserves as shown above	121,455	2,466	123,921
Income/proceeds not yet distributable	(1,170)	(1,281)	(2,451)
Share capital and cancelled share premium not yet distributable (see below)	(89,580)	-	(89,580)
Reserves available for distribution***	30,705	1,185	31,890

* *Other reserves include the merger reserve and the other reserve, which are non-distributable. The other reserve was created upon the exercise of warrants, and the merger reserve was created on the merger with British Smaller Technologies Company VCT plc.*

** *Issue costs include both fundraising costs and costs incurred from the Company's DRIS.*

*** *Following the circulation of the Annual Report to shareholders.*

The merger reserve arose following the Company's acquisition of the assets and liabilities of British Smaller Technology Companies VCT plc in 2005. The reserve accounted for the difference between the nominal and fair value of shares issued as consideration, in accordance with section 131 of the Companies Act 1985 and the provisions of the Companies Act 2006 for merger relief. As the majority of the assets and liabilities acquired in the merger have subsequently been realised, £5,308,000 of the merger reserve was transferred to distributable reserves during the year. The remaining merger reserve will become distributable once the remaining assets acquired are realised.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £123,921,000, representing an increase of £84,565,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £123,921,000 shown above, £2,451,000 relates to income/proceeds not yet distributable and £89,580,000 relates to cancelled share premium and the reduction in the nominal value of share capital which will become distributable from the dates shown in the table below.

	Share premium*	Share Capital**	Total
	£000	£000	£000
1 January 2026	21,051	4,202	25,253
1 January 2027	24,528	4,995	29,523
1 January 2028	28,844	5,960	34,804
Total amount not yet distributable	74,423	15,157	89,580

* includes £54,230,000 cancelled in 2024 and £20,193,000 cancelled in 2022

** excludes £15,792,000 reduction in nominal value of share capital already distributable

Statement of Cash Flows
For the year ended 31 December 2024

	Notes	2024 £000	2023 £000
Net cash outflow from operating activities		**(1,491)**	(1,821)
Cash flows generated from (used in) investing activities			
Proceeds from sale of financial assets at fair value through profit or loss	7	**8,406**	6,031
Deferred consideration		**43**	27
Purchase of financial assets at fair value through profit or loss	7	**(15,127)**	(10,696)
Cash maturing from fixed term deposits		**-**	1,988
Net cash outflow from investing activities		**(6,678)**	(2,650)
Cash flows from (used in) financing activities			
Issue of ordinary shares		**34,542**	28,713
Costs of ordinary share issues*		**(1,131)**	(1,268)
Purchase of own ordinary shares		**(4,086)**	(1,516)
Dividends paid	5	**(7,100)**	(8,873)
Net cash inflow from financing activities		**22,225**	17,056
Net increase in cash and cash equivalents		**14,056**	12,585
Cash and cash equivalents at the beginning of the year		**39,071**	26,486
Cash and cash equivalents at the end of the year		**53,127**	39,071

* *Issue costs include both fundraising costs and expenses incurred from the Company's DRIS*

Cash and cash equivalents comprise:

	2024	2023
Money market funds	**35,500**	23,500
Cash at bank	**17,627**	15,571
Cash and cash equivalents at the end of the year	**53,127**	39,071

Reconciliation of Profit before Taxation to Net Cash Outflow from Operating Activities

	2024	2023
	£000	£000
Profit before taxation*	**2,610**	6,691
(Decrease) increase in trade and other payables	**(748)**	1,021
Increase in accrued income and other assets**	**(14)**	(472)
Gain on disposal of investments	**(234)**	(1,018)
Gains on investments held at fair value	**(3,105)**	(8,043)
Net cash outflow from operating activities	**(1,491)**	(1,821)

* Includes net income from		
Dividends	**248**	323
Interest	**3,083**	1,253

** Includes accrued income and other assets disclosed in Note 7 – Financial Assets at Fair Value through Profit or Loss - Investments.

The accompanying notes on pages 65 to 87 of the annual report are an integral part of the financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis as set out in the Directors Report on page 38 of the annual report and in accordance with UK adopted international accounting standards.

The directors have carefully considered the issue of going concern in view of the Company's activities and associated risks. The Company has a well-diversified portfolio with businesses in a variety of sectors, many of which are well funded. Some portfolio companies may require additional funding in the near- to medium-term; the Company is well placed to provide this, where appropriate.

The Company has a significant level of liquidity, which will be further enhanced by the current fundraising. In addition, the Board has control over, and can flex as appropriate, the Company's major outgoings, which predominantly comprise investments, dividends and share buy-backs.

The directors have also assessed whether material uncertainties exist and their potential impact on the Company's ability to continue as a going concern; they have concluded that no such material uncertainties exist.

Taking all of the above into consideration, the directors are satisfied that the Company has sufficient resources to meet its obligations for at least 12 months from the date of this report and therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

The financial statements have been prepared under the historical cost basis as modified by the measurement of investments at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and

Venture Capital Trusts' issued by the Association of Investment Companies (issued in July 2022 – the "SORP") to the extent that they do not conflict with UK adopted international accounting standards.

The financial statements are prepared in accordance with UK adopted international accounting standards (International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")) and interpretations in force at the reporting date. From 1 January 2023 IAS 1 has been amended introducing the concept Material Accounting Policy Information. The Company has performed a review of its existing accounting policies and updated where relevant. Other new standards coming into force during the year and future standards that come into effect after the year-end have not had a material impact on these financial statements.

The Company has carried out an assessment of accounting standards, amendments and interpretations that have been issued by the International Accounting Standards Board and that are effective for the current reporting period. The Company has determined that the transitional effects of the standards do not have a material impact.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except where stated.

Financial Assets held at Fair Value through Profit or Loss - Investments
Financial assets designated as at fair value through profit or loss ("FVPL") at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Company's key management. The Company's investment strategy is to invest cash resources in venture capital investments as part of the Company's long-term capital growth strategy. Consequently, all investments are classified as held at fair value through profit or loss.

All investments are measured at fair value on the whole unit of account basis with gains and losses arising from changes in fair value being included in the Statement of Comprehensive Income as gains or losses on investments held at fair value. Accrued income on loans/preference shares that is rolled to exit and is not yet past due, forms part of the investment's fair value.

Transaction costs on purchases are expensed immediately through profit or loss.

Although the Company holds more than 20 per cent of the equity of certain companies, it is considered that the investments are held as part of the investment portfolio, and their value to the Company lies in their marketable value as part of that portfolio. These investments are therefore not accounted for using equity accounting, as permitted by IAS 28 'Investments in associates' and IFRS 11 'Joint arrangements' which give exemptions from equity accounting for venture capital organisations.

Under IFRS 10 "Consolidated Financial Statements", control is presumed to exist when the Company has power over an investee (whether or not used in practice); exposure or rights; to variable returns from that investee, and ability to use that power to affect the reporting entities returns from the investees. The Company does not hold more than 50 per cent of the equity of any of the companies within the portfolio. The Company does not control any of the companies held as part of the investment portfolio. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Due to the above factors, the Company has applied the IFRS 10 investment entity consolidation exemption and has not prepared consolidated financial statements.

Valuation of Investments
Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and using the International Private Equity and Venture Capital Valuation Guidelines (the "IPEV Guidelines"). A detailed explanation of the valuation policies of the Company is included below.

Initial Measurement
The best estimate of the initial fair value of an unquoted investment is the cost of the investment. Unless there are indications that this is inappropriate, an unquoted investment will be held at this value within the first three months of investment.

Subsequent Measurement
Based on the IPEV Guidelines we have identified six of the most widely used valuation methodologies for unquoted investments. The IPEV Guidelines advocate that the best valuation methodologies are those that draw on external, objective market-based data in order to derive a fair value.

Unquoted Investments

> **Revenue multiples.** An appropriate multiple, given the risk profile and revenue growth prospects of the underlying company, is applied to the revenue of the company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies used to derive the multiple.

> **Earnings multiple.** An appropriate multiple, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of the company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies used to derive the multiple.

> **Net assets.** The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.

> **Discounted cash flows of the underlying business.** The present value of the underlying business is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounted by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.

> **Discounted cash flows from the investment.** Under this method, the discounted cash flow concept is applied to the expected cash flows from the investment itself rather than the underlying business as a whole.

> **Price of recent investment.** This may represent the most appropriate basis where a significant amount of new investment has been made by an independent third party. This is adjusted, if necessary, for factors relevant to the background of the specific investment such as preference rights and will be benchmarked against other valuation techniques. In line with the IPEV Guidelines the price of recent investment will usually only be used for the initial period following the round and after this an alternative basis will be found.

Due to the significant subjectivity involved, discounted cash flows are only likely to be reliable as the main basis of estimating fair value in limited situations. Their main use is to support valuations derived using other methodologies and for assessing reductions in fair value.

One of the valuation methods described above is used to derive the gross attributable enterprise value of the company, after which adjustments are made to reflect specific circumstances. This value is then apportioned appropriately to reflect the respective debt and equity instruments in the event of a sale at that level at the reporting date.

Income
Dividends and interest are received from financial assets measured at fair value through profit and loss and are recognised on the same basis in the Statement of Comprehensive Income. This includes interest and preference dividends rolled up and/or payable at redemption. Interest income is also received on cash, cash equivalents and current asset investments. Dividend income from unquoted equity shares is recognised at the time when the right to the income is established.

Expenses
Expenses are accounted for on an accruals basis. Expenses are charged through the Revenue column of the Statement of Comprehensive Income, except for the Manager’s fee and incentive fees. Of the Manager’s fees 75 per cent are allocated to the Capital column of the Statement of Comprehensive Income, to the extent that these relate to an enhancement in the value of the investments and in line with the Board’s expectation that over the long term 75 per cent of the

Company's investment returns will be in the form of capital gains. The incentive fee payable to the Manager (as set out in note 3) is charged wholly through the Capital column.

Tax relief is allocated to the Capital Reserve using a marginal basis.

Incentive Fee
The incentive fee is accounted for on an accruals basis. As further detailed in note 3, the incentive fee is calculated as 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the Company's middle market price per ordinary share on the five dealing days prior to that day, exceeds the Hurdle (as defined in note 3), multiplied by the number of ordinary shares issued and the ordinary shares under option. At the end of each reporting period, an accrual is recognised based upon the cumulative dividends per ordinary share paid to the reporting date, plus the average of the Company's middle market price per ordinary share on the five dealing days prior to the reporting date. The incentive fee is charged wholly through the Capital column.

Cash, Cash Equivalents and Current Asset Investments
Cash at bank comprises cash at hand and bank deposits with an original maturity of less than three months, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Current asset investments comprise money market funds.

Cash and cash equivalents include cash at hand, money market funds and bank deposits repayable on up to three months' notice, as these meet the definition in IAS 7 'Statement of cash flows' of a short-term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

Cash and cash equivalents are valued at amortised cost, which equates to fair value.

Cash flows classified as "operating activities" for the purposes of the Statement of Cash Flows are those arising from the Revenue column of the Statement of Comprehensive Income, together with the items in the Capital column that do not fall to be easily classified under the headings for "investing activities" given by IAS 7 'Statement of cash flows', being management and incentive fees payable to the Manager. The capital cash flows relating to the acquisition and disposal of investments are presented under "investing activities" in the Statement of Cash Flows in line with both the requirements of IAS 7 and the positioning given to these headings by general practice in the industry.

Share Capital and Reserves
Share Capital
This reserve contains the nominal value of all shares allotted under offers for subscription.

Share Premium Account
This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under offers for subscription, to the extent that it has not been cancelled.

Capital Reserve
The following are included within this reserve:
- Gains and losses on realisation of investments;
- Realised losses upon permanent diminution in value of investments;
- Capital income from investments;
- 75 per cent of the Manager's fee expense, together with the related taxation effect to this reserve in accordance with the policy on expenses in note 1 of the financial statements;
- Incentive fee payable to the Manager;
- Capital dividends paid to shareholders;
- Applicable share issue costs;
- Transfers from the merger reserve;
- Purchase and holding of the Company's own shares; and
- Credits arising from the cancellation of any share premium account or changes in the nominal value of share capital.

Investment Holding Gains and Losses Reserve
Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

Revenue Reserve
This reserve includes all revenue income from investments along with any costs associated with the running of the Company – less 75 per cent of the Manager's fee expense as detailed in the Capital Reserve above.

Taxation
Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises. Deferred tax is recognised on all temporary differences that have originated, but not reversed, by the balance sheet date.

Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised. Deferred tax assets and liabilities are not discounted.

Dividends Payable
Dividends payable are recognised only when an obligation exists. Interim and special dividends are recognised when paid and final dividends are recognised when approved by shareholders in general meetings.

Segmental Reporting
In accordance with IFRS 8 'Operating Segments' and the criteria for aggregating reportable segments, segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

Critical Accounting Estimates and Judgements
The preparation of financial statements in conformity with generally accepted accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through profit or loss, as disclosed in note 7 to the financial statements.

The fair value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Board uses its judgement to select from a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

The Board uses its judgement to select the appropriate method for determining the fair value of investments through profit or loss.

2. Income

	2024 £000	2023 £000
Dividends from unquoted companies	**430**	531
Interest on loans to unquoted companies	**172**	152
Income from unquoted portfolio	**602**	683
Income from listed investment funds	**-**	47
Income from investments held at fair value through profit or loss	**602**	730
Income from bank deposits/money market funds	**2,734**	1,317
	3,336	2,047

3. Administrative Expenses

	2024 £000	2023 £000
Manager's fee	**2,496**	2,147
Administration fee	**90**	85
Total payable to YFM Private Equity Limited	**2,586**	2,232
Incentive fee	**818**	1,601
Other expenses:		
General expenses	**141**	135
Directors' remuneration	**119**	112
Listing and registrar fees	**80**	93
Trail commission	**128**	75
Printing	**74**	57
Auditor's remuneration - audit fees (excluding irrecoverable VAT)	**67**	63
Irrecoverable VAT	**52**	49
	4,065	4,417
Ongoing charges figure	**1.98%**	2.14%

Directors' remuneration comprises only short term benefits including national insurance contributions of £11,000 (2023: £10,000).

The Company does not have employees other than non-executive directors.

No fees are payable to the auditor in respect of other services (2023: £nil).

YFM Private Equity Limited has acted as Manager and performed administrative and secretarial duties for the Company under an Investment Agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012, 17 October 2014, 7 August 2015 and 13 November 2019 (the "IA"). The agreement may be terminated by not less than twelve months' notice given by either party at any time. Under an Investment Agreement dated 13 November 2019, YFM Private Equity Limited was appointed as the Company's Alternative Investment Fund Manager. On 19 September 2023 YFM Private Equity Limited was approved as a full-scope Alternative Investment Fund Manager; from this date Thompson Taraz Depositary Limited were appointed as the Depositary and assumed responsibility for asset safekeeping, cash flow monitoring and oversight duties.

The key features of the agreement are:

> YFM Private Equity Limited receives a Manager's fee, payable quarterly in advance, calculated at half-yearly intervals as at 30 June and 31 December. The fee is allocated between capital and revenue as described in note 1;

> The annual Manager's fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £5 million. The annual fee on all other assets is 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 December 2024 of £160,451,000, and cash and cash equivalents of £53,127,000 at that date this equates to approximately £2,728,000 per annum;

> YFM Private Equity Limited shall bear the annual operating costs of the Company (including the Manager's fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company; and

> Under the IA, YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £90,000 for the year ended 31 December 2024 (2023: £85,000).

When the Company makes investments into its unquoted portfolio, the Manager charges that investee an advisory fee. With effect from 1 October 2013, if the average of relevant fees exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on investments over the Company's financial year, this excess will be rebated to the Company. As at 31 December 2024, the Company was due a rebate from the Manager of £22,000 (2023: £nil).

Monitoring and directors' fees the Manager receives from the investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.

The total remuneration payable to YFM Private Equity Limited under the IA in the year was £2,586,000 (2023: £2,232,000).

Under the IA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 December 2024, the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £2,012,000 (2023: £1,869,000).

Under the Subscription Rights Agreement dated 23 November 2001 between the Company, YFM Private Equity Limited and Chord Capital Limited ("Chord" formerly Generics Asset Management Limited), as amended by an agreement between those parties dated 31 October 2005, YFM Private Equity Limited and Chord have a performance-related incentive, structured so as to entitle them to an amount equivalent to 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the middle market price per ordinary share on the five dealing days prior to that day (the "Share Price"), exceeds 120 pence per ordinary share, multiplied by the number of ordinary shares issued and the ordinary shares under option (if any) (the "Hurdle"). Under the terms of the Subscription Rights Agreement, once the Hurdle has been exceeded it is reset at that value going forward, which becomes the new Hurdle. Any subsequent exercise of these rights will only occur once the new Hurdle has been exceeded. The subscription rights are exercisable in the ratio 95:5 between the Manager and Chord Capital Limited.

As at 31 December 2023 the total of cumulative cash dividends paid and the Share Price was 140.75 pence per ordinary share. Consequently the Hurdle was exceeded and a performance related incentive of £1,601,000 for the year ended 31 December 2023 was paid.

The Company, the Manager and Chord have amended the previous agreement with effect from 1 January 2024. The Hurdle for each financial year will be increased by an agreed percentage of the corresponding Share Price for each of the five years starting from the year ended 31 December 2023, commencing with 1 per cent for the year ended 31 December 2024 and increasing by an additional 1 per centage point per year until the year ending 31 December 2028 when the increase to the Hurdle will be 5 per cent of the corresponding Share Price. Following the changes, the Hurdle for the year ended 31 December 2024 was reset at 141.295 pence per ordinary share. In addition, from 1 January 2027 the subscription rights will be wholly exercisable to the Manager.

As at 31 December 2024 the total of cumulative cash dividends paid and the Share Price was 142.75 pence per ordinary share. Consequently the Hurdle was exceeded and a performance related incentive of £818,000 for the year ended 31 December 2024 is payable. The Hurdle for the year ending 31 December 2025 is 143.8 pence per ordinary share.

If the IA is terminated, the beneficiaries of the Incentive Agreement will continue to be entitled to the Incentive Payment. The Incentive Payment will be modified so as to entitle the recipients to an Incentive Payment that is fair, having regard to all the circumstances.

Under the terms of the offer launched with British Smaller Companies VCT plc on 20 September 2023, YFM Private Equity Limited was entitled to 3.0 per cent of gross subscriptions, (3.5 per cent for Applications received from Applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company) less commissions payable to an execution-only broker or platform. The net amount paid to YFM Private Equity Limited under this offer amounted to £1,025,000.

Under the terms of the offer launched with British Smaller Companies VCT plc on 17 October 2024, YFM Private Equity Limited will be entitled to 3.0 per cent of gross subscriptions, (3.5 per cent for Applications received from Applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company) less commissions payable to an execution-only broker or platform.

The details of directors’ remuneration are set out in the Directors’ Remuneration Report on pages 49 and 50 of the annual report under the heading “Directors’ Remuneration for the year ended 31 December 2024 (audited)”.

4. Taxation

	2024			2023		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Profit before taxation	**1,961**	**649**	**2,610**	842	5,849	6,691
Profit before taxation multiplied by standard rate of corporation tax in UK of 19%* (2023: 19%)	**373**	**123**	**496**	160	1,111	1,271
Effect of:						
UK dividends received	**(152)**	**-**	**(152)**	(101)	-	(101)
Non-taxable profits on investments	**-**	**(634)**	**(634)**	-	(1,721)	(1,721)
Deferred tax not recognised	**(209)**	**499**	**290**	(59)	610	551
Tax charge (credit)	**12**	**(12)**	**-**	-	-	-

** due to taxable losses incurred*

The Company has no provided or unprovided deferred tax liability in either year.

Deferred tax assets of £3,680,000 (2023: £4,420,000) calculated at 19% (2023: 25%) in respect of unrelieved management expenses (£19.37 million as at 31 December 2024 and £17.68 million as at 31 December 2023) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

Due to the Company's status as a venture capital trust and the continued intention to meet with the conditions required to comply with Section 274 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

5. Dividends

Amounts recognised as distributions to equity holders in the period to 31 December:

	2024			2023		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
First interim dividend for the year ended 31 December 2024 of 1.5p (2023: 2.25p) per ordinary share	**583**	**3,687**	**4,270**	-	4,097	4,097
Second interim dividend for the year ended 31 December 2024 of 1.5p (2023: 1.5p) per ordinary share	**798**	**3,431**	**4,229**	301	3,130	3,431
Third interim dividend for the year ended 31 December 2023 of 1.5p per ordinary share	**-**	**-**	**-**	-	3,428	3,428
	1,381	**7,118**	**8,499**	301	10,655	10,956
Proceeds from shares allotted under DRIS			**(1,399)**			(2,083)
Dividends paid in Statement of Cash Flows			**7,100**			8,873

The first interim dividend of 1.5 pence per ordinary share was paid on 28 June 2024 to shareholders on the register as at 31 May 2024.

The second interim dividend of 1.5 pence per ordinary share was paid on 1 November 2024 to shareholders on the register as at 4 October 2024.

A special dividend of 1.0 pence per ordinary share was paid on 27 January 2025 to shareholders on the register on 27 December 2024. This dividend was not recognised in the year ended 31 December 2024 as the obligation did not exist at the balance sheet date.

6. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £2,610,000 (2023: £6,691,000) and 272,756,162 (2023: 217,157,606) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the revenue profit for the year attributable to shareholders of £1,949,000 (2023: £842,000) and 272,756,162 (2023: 217,157,606) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £661,000 (2023: £5,849,000) and 272,756,162 (2023: 217,157,606) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 2,460,203 new ordinary shares in respect of its DRIS and 57,199,459 new ordinary shares from the fundraising.

The Company has also repurchased 7,387,195 of its own shares in the year, and these shares are held in the capital reserve. The total of 28,770,963 treasury shares has been excluded in calculating the weighted average number of ordinary shares for the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The Company has no potentially dilutive shares and consequently, basic and diluted earnings per ordinary share are equivalent in both the year ended 31 December 2024 and 31 December 2023.

7. Financial Assets at Fair Value through Profit or Loss – Investments

	2024	2023
	£000	£000
Investment portfolio	**105,526**	96,427
Accrued income and other assets	**1,241**	1,275
Financial assets at fair value through profit and loss	**106,767**	97,702

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise fixed income securities classified as held at fair value through profit or loss. The Company's current asset investments fall into this category at 31 December 2024 or 31 December 2023.

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company held no such instruments in the current or prior year.

Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as revenue and earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. All of the Company's investments classed as financial assets at fair value through profit and loss fall into this category at 31 December 2024 and 31 December 2023.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it is included at the beginning of each accounting period. The change in fair value for the current and previous year is recognised through profit or loss.

There have been no transfers between these classifications in either period.

All items held at fair value through profit or loss were designated as such upon initial recognition.

Valuation of Investments
Full details of the methods used by the Company are set out in note 1 of the financial statements. Where investments are held in listed investment funds, fair value is set at the market bid price.

Movements in investments at fair value through profit or loss during the year to 31 December 2024 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000
Opening cost	56,209
Opening investment holding gain*	40,218
Opening fair value at 1 January 2024	**96,427**
Additions at cost	15,127
Disposal proceeds	(8,976)
Net loss on disposal**	(157)
Change in fair value	2,728
Foreign exchange gain	377
Closing fair value at 31 December 2024	**105,526**
Closing cost	69,273
Closing investment holding gain*	36,253
Closing fair value at 31 December 2024	**105,526**

** Following the merger between the Company and British Smaller Technologies Company VCT plc a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of the investments acquired. The relevant amount per investment is realised at the point of disposal to the capital reserve. At 31 December 2024 a total of £27,000 (2023: £27,000) was held on investments yet to be realised in the investment holdings gains and losses reserve.*

*** The net loss on disposal in the table above is £157,000 whereas that shown in the Statement of Comprehensive Income is a profit of £234,000. The difference comprises deferred proceeds in respect of assets which have been disposed of in prior periods and were not included in the portfolio at 1 January 2024 as disclosed on page 77 of the annual report.*

The following disposals (including partial disposals) took place in the year:

	Net proceeds from sale	Cost	Opening carrying value as at 1 January 2024	Profit (loss) on disposal
	£000	£000	£000	£000
Unquoted investments:				
DisplayPlan Holdings Limited	4,821	70	4,741	80
Traveltek Group Holdings Limited	2,494	1,163	2,731	(237)
KeTech Holdings Limited/KeTech Technology Holdings Limited*	1,461	-	1,461	-
Arcus Global Limited*	200	830	200	-
Total from portfolio	8,976	2,063	9,133	(157)
Tissuemed Limited	300	-	-	300
Ncam Technologies Limited	91	-	-	91
Deferred consideration	391	-	-	391
Total from investment portfolio**	9,367	2,063	9,133	234

* Partial disposal

** The total from disposals in the year in the table above is £9,367,000 whereas that shown in total in the Statement of Cash Flows is £8,406,000. The difference comprises deferred proceeds of £961,000 which will be received in subsequent years.

8. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £160,451,000 (2023: £135,616,000) and 281,031,132 (2023: 228,758,665) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 December 2024.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values per ordinary share are equivalent in both the years ended 31 December 2024 and 31 December 2023.

9. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 89.25 pence per ordinary share (2023: 86.25 pence per ordinary share) plus the net asset value as calculated per note 8.

10. Financial Commitments

There are no financial commitments at 31 December 2024 or 31 December 2023.

11. Events after the Balance Sheet Date

Having previously assessed its expected cash requirements, the Company announced a new share offer on 17 October 2024, alongside British Smaller Companies VCT plc, with the intention of raising up to £75 million, in aggregate which included an over-allotment facility of £25 million, in aggregate. The offers closed to new Applications on 8 January 2025. Gross Applications of £75 million have been received, of which c.£29 million relate to the Company. The first allotment of £25 million (£9.8 million relating to the Company) took place on 30 January 2025. The second and final allotment will take place between 1 and 4 April 2025.

Subsequent to the year end, the Company invested £1.4 million into one new investment, Stormharvester, and £2.8 million into portfolio companies DrDoctor and Vypr. The Company also received £3.1 million from the realisation of ACC Aviation, as detailed in the Chair's Statement.

On 27 January 2025 the Company issued 831,686 ordinary shares pursuant to its Dividend Re-investment Scheme, following the special dividend of 1.00 pence paid that day, and on 30 January 2025 the Company issued 17,313,531 shares in relation to the 2024/25 fundraising, raising gross proceeds of £9.8 million. Following these allotments, the Company's issued share capital consists of 299,176,349 ordinary shares with voting rights and 28,770,963 shares held in treasury.

12. Related Party Transactions

Fees payable during the year to the directors and their interests in the shares of the Company are disclosed within the Directors' Remuneration Report on page 50 of the annual report. There were no amounts outstanding and due to the directors at 31 December 2024 (2023: £nil).

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 December 2024 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at https://data.fca.org.uk/#/nsm/nationalstoragemechanism. They can also shortly be viewed on the Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year to 31 December 2024 will be distributed by post or electronically to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

The directors of the Company are Ms B L Anderson, Mr A Ahmed and Mr R S McDowell.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 12 June 2025 at Thomas House, 84 Ecclestone Square, London SW1V 1PX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 88 of the annual report.

16. Inside Information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:

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